

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Parcel Select
Parcel Select Contracts 17
Negotiated Service Agreement

Docket No. MC2016-200

Competitive Product Prices
Parcel Select Contract 17 (MC2016-200)
Negotiated Service Agreement

Docket No. CP2016-284

PUBLIC REPRESENTATIVE COMMENTS ON
REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD
PARCEL SELECT CONTRACT 17 TO COMPETITIVE PRODUCT LIST

(September 22, 2016)

The Public Representative hereby provides comments pursuant to a notice initiating this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request to add Parcel Select Contract 17 to the competitive product list.² The Postal Service's Request includes a Statement of Supporting Justification, certification of compliance with 39 U.S.C. § 3633(a), and copy of Governors' Decision No. 11-6. The Postal Service also filed (under seal) a contract related to the proposed new product, and supporting financial data.

According to the Postal Service, Parcel Select Contract 17 is a competitive product "not of general applicability" within the meaning of 39 U.S.C. § 3632(b)(3).

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, September 15, 2016. (Notice)

² Request of the United States Postal Service to Add Parcel Select contract 17 to the Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, September 14, 2016 (Request).

Request at 1. In addition, the Postal Service maintains that the prices and classification underlying the instant contract are supported by Governors' Decision No. 11-6.³

COMMENTS

The Public Representative has reviewed the instant contract, the Statement of Supporting Justification, certificate of compliance, and non-public financial data accompanying the request. It is customary that the Public Representative review and assess whether the Postal Service meets multiple statutory requirements for each contract it request to be added to the competitive product list.

In his review of the requirements, the Public Representative agrees with the Postal Service's assertion that the contract is competitive and constrained by the existing market. *Request* at Attachment D, Question d. Pursuant to the requirements of 39 U.S.C. § 3642(b)(1), the Public Representative must consider whether the Postal Service's exercises sufficient market power that it can without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.⁴

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's rates for competitive products must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

The Public Representative is unable to conclude that Parcel Select Contract 17 meets the requirements of 39 U.S.C. § 3633. The Postal Service's financial workpapers do not directly link to the service envisioned by the contract that is provided under seal.

³ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, March 22, 2011 (Governors' Decision No. 11-6).

⁴ Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

This Public Representative is concerned that the Postal Service has not fully explained how the contract and all its terms will be implemented. Therefore, the Public Representative requests that the Commission closely review this contract under the terms of the statute.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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